



Delaware Transit Corporation

**Financial Statements,
with Independent Auditors' Report**

June 30, 2006 and 2005

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KPMG LLP
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Independent Auditors' Report

Board of Directors
Delaware Transportation Authority
Delaware Transit Corporation
Dover, Delaware

We have audited the accompanying balance sheet of the Delaware Transit Corporation (DTC), a subsidiary of Delaware Transportation Authority, which is a component unit of the State of Delaware, as of the year ended June 30, 2006, and the related statements of revenue, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the DTC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Delaware Transit Corporation as of and for the year ended June 30, 2005 were audited by other auditors, whose report thereon dated August 17, 2005 (except as to note P, as to which the date is August 1, 2006), expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DTC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Delaware Transit Corporation and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Transit Corporation as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the Corporation's financial statements. The supplemental information included in the Schedules of Revenues and Expenses Compared to Budget and Expenses by Mode on pages 30 through 36 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2006, on our consideration of DTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

October 12, 2006

Delaware Transit Corporation

Management's Discussion and Analysis

This section of the Delaware Transit Corporation's (DTC) annual financial statements presents our discussion and analysis of DTC's financial performance during the fiscal year ended June 30, 2006.

Background

DTC is a division of the Delaware Department of Transportation (DelDOT) and operates DART First State Public Transportation Service. DTC was formed in 1995 to manage the combined operations of the Delaware Administration for Regional Transit, the Delaware Administration for Specialized Transit, the Delaware Railroad Administration, and Commuter Services Administration. DTC operates 210 fixed route and 203 Paratransit vehicles on over 69 routes in Delaware's three counties. DTC contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA) for commuter rail service. DTC also operates and maintains 40 park-and-ride lots and 13 park-and-pool lots with approximately 5,300 parking spaces. DTC maintains 2,522 bus stops throughout the State, with major transit hubs in Wilmington, Christiana Mall, Dover, and Rehoboth Beach. DTC owns or leases four rail stations that are serviced by SEPTA. All services carry over ten million riders per year.

Financial Highlights

- The 2006 operating revenues were approximately \$11.9 million and were 6.1% higher than 2005 operating revenues. Passenger revenues and loss contingency insurance recoveries contributed to the increase.
- Total operating expenses before depreciation were approximately \$72.4 million and were 4.5% higher than 2005 operating expenses. The increase in operating expenses before depreciation is largely due to increased costs of wages, benefits, and consumables, specifically diesel fuel.
- A \$2.5 million investment was made in capital assets during the current year. This is primarily attributable to the investment in facilities and the purchase of Paratransit vehicles and related equipment.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) the notes to the financial statements, and 4) other supplementary information.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

The financial statements provide both long-term and short-term information about DTC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

DTC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets. All assets and liabilities associated with the operation of DTC are included in the balance sheets.

Financial Analysis of DTC

Balance Sheets

Total assets decreased 8.4% to \$96.9 million due largely to the loss on disposal of a facility. Total liabilities increased 17.7% to \$14.6 million mostly due to a increase in accounts payable and accrued payroll and related expenses during the current year. Total net assets at June 30, 2006 were approximately \$82.3 million, a 11.8% decrease from June 30, 2005.

Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Current assets	\$26.0	\$ 21.1	23.2
Capital assets	70.2	84.2	(16.6)
Other noncurrent assets	<u>.7</u>	<u>.5</u>	.4
Total assets	96.9	105.8	(8.4)
Current liabilities	9.8	8.3	18.1
Noncurrent liabilities	<u>4.8</u>	<u>4.1</u>	17.1
Total liabilities	14.6	12.4	17.7

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Net assets			
Invested in capital assets - net of related debt	\$70.2	\$84.2	(16.6)
Restricted	.7	.5	.4
Unrestricted	<u>11.4</u>	<u>8.7</u>	29.5
Total net assets	\$82.3	\$93.4	(11.8)

The increase in current assets is primarily attributable to increases in cash and cash equivalents, inventories, and escrow insurance deposits. The \$4.4 million increase in cash is primarily due to receipt of operating subsidies in excess of the net cash used in operating activities. Capital assets decreased due to a \$4.5 million loss on disposal of the Madison Street facility and depreciation exceeding capital additions by \$9.3 million. The increase in total liabilities is due to a change in estimate of the insurance loss contingency for automobile policies and a increase in trade payables and accrued payroll and related expenses. The large increase in unrestricted assets is the result of operating efficiencies and the revaluation of insurance liabilities.

Change in Net Assets

The decrease in net assets as of June 30, 2006 was approximately \$11.1 million, which is a decrease in net assets of 11.8% over 2005. DTC's total operating revenues increased by 6.1% to approximately \$11.9 million, and total operating expenses increased 4.8% to approximately \$84.3 million.

Change in the Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Operating revenues			
Passenger revenue	\$ 10.0	\$ 9.3	7.5
Other operating revenue	<u>1.9</u>	<u>1.9</u>	-
Total operating revenues	11.9	11.2	6.1

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2006</u>	<u>2005</u>	<u>Percentage Change 2006-2005</u>
Operating expenses			
Total operating expenses before depreciation and retirements of property and equipment	\$ 72.4	\$69.3	4.5
Depreciation and net loss on retirements of property and equipment	<u>11.9</u>	<u>11.1</u>	7.2
Total operating expenses	<u>84.3</u>	<u>80.4</u>	4.9
Operating loss	(72.4)	(69.3)	4.5
Nonoperating revenues, net	64.5	60.5	6.6
Capital contributions	2.5	16.4	(84.8)
Transfer to DeIDOT	(1.2)	-	-
Special item - loss on disposal	<u>(4.5)</u>	<u>-</u>	<u>-</u>
Change in net assets	(11.1)	7.6	(246.0)
Total net assets - beginning of year	<u>93.4</u>	<u>85.8</u>	8.8
Total net assets - end of year	<u>\$ 82.3</u>	<u>\$ 93.4</u>	(11.8)

The increase in passenger fare revenues is attributable to increased ridership from normal operations along with park-and-ride service for the Dover Downs NASCAR race event.

The increase in operating expenses over 2005 is due to the increased costs relating to automobile and general liability insurance, purchase of transportation services for rail and Paratransit, cost of diesel fuel, and changes in the collective bargaining agreements.

The increase in nonoperating revenues, net, is attributable to increases in funding for operating assistance received from the State of Delaware.

The \$1.2 million transfer represents a portion of the prior year's net surplus being returned to DeIDOT.

The \$4.5 million special item - loss on disposal is related to the disposal of the Madison Street facility.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

Capital contributions were down from \$16.4 million in 2005 to \$2.5 million in 2006 because DTC's vehicle replacement and expansion schedule did not require a large vehicle replacement during the current year.

Capital Assets

As of June 30, 2006, DTC had approximately \$131.3 million invested in capital assets, which includes land, buildings, vehicles, communication and support equipment, and furniture and fixtures. Net of accumulated depreciation, DTC's capital assets at June 30, 2006 totaled approximately \$70.2 million. This amount represents a net decrease of approximately \$14 million or a 17% decrease compared to June 30, 2005. The decrease is comprised of depreciation and loss on disposals in the amount of \$16.4 million, netted with capital additions of \$2.5 million.

DTC purchased 19 buses (cut-a-ways) and two trolleys consistent with the vehicle replacement and expansion schedule. DTC completed construction of the Mid-County facility, performed improvements to the Georgetown facility, and began preliminary site work for the Wilmington Transit facility and the Newark Hub.

Assets disposed of during 2006 totaled \$8.4 million. Disposals related primarily to the replacement of revenue vehicles and disposal of a facility.

Economic Factors and Next Year's Budget

DTC submits their operating and capital budgets as part of the Department of Transportation submission to the General Assembly. DTC's fiscal year 2007 operating and capital budgets have been authorized by the General Assembly to meet the demand for core transit services in the State. The fiscal year 2007 total operating budget is \$79.7 million, which is 6.9% higher than fiscal year 2006. The capital budget is \$42 million, which authorizes funding for the purchase of replacement and expansion transit vehicles.

Contacting DTC's Financial Management

This financial report is designed to provide interested parties with a general overview of DTC's finances and to demonstrate DTC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, DE 19901.

Delaware Transit Corporation

Balance Sheets

June 30, 2006 and 2005

Assets

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,745,170	\$ 16,379,811
Receivables		
Trade	473,335	571,789
State capital subsidy	192,555	631,247
State operating subsidy	969	3,684
Federal capital grant	166,125	276,528
Pass-through grants	-	90,557
Inventories of supplies and fuel	2,215,341	1,938,931
Escrow insurance deposits	1,933,042	1,156,460
Prepaid expenses	<u>239,370</u>	<u>77,051</u>
Total current assets	25,965,907	21,126,058
NONCURRENT ASSETS		
Capital assets	131,348,709	137,120,413
Less: accumulated depreciation	<u>61,141,068</u>	<u>52,941,037</u>
	70,207,641	84,179,376
Prepaid pension	<u>688,884</u>	<u>482,356</u>
Total noncurrent assets	<u>70,896,525</u>	<u>84,661,732</u>
TOTAL ASSETS	<u><u>\$ 96,862,432</u></u>	<u><u>\$ 105,787,790</u></u>

See notes to financial statements.

Delaware Transit Corporation

Balance Sheets

June 30, 2006 and 2005

Liabilities and Net Assets

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
CURRENT LIABILITIES		
Accounts payable	\$ 4,474,775	\$ 3,617,420
Accrued payroll and related expenses	2,109,309	1,836,911
Compensated absences	702,471	507,530
Other accrued expenses	132,989	-
Loss contingency - insurance	<u>2,355,513</u>	<u>2,321,575</u>
Total current liabilities	9,775,057	8,283,436
NONCURRENT LIABILITIES		
Compensated absences - net of current portion	1,736,148	1,724,065
Loss contingency insurance - net of current portion	<u>3,103,507</u>	<u>2,336,859</u>
	<u>4,839,655</u>	<u>4,060,924</u>
Total liabilities	14,614,712	12,344,360
NET ASSETS		
Restricted - pension obligations	688,884	482,356
Invested in capital assets - net of related debt	70,207,641	84,179,376
Unrestricted	<u>11,351,195</u>	<u>8,781,698</u>
Total net assets	<u>82,247,720</u>	<u>93,443,430</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,862,432</u>	<u>\$ 105,787,790</u>

Delaware Transit Corporation

Statements of Revenues, Expenses, and Change in Net Assets

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
OPERATING REVENUES		
Passenger fares	\$ 9,991,912	\$ 9,323,392
Advertising	345,334	308,875
Miscellaneous	321,939	660,351
Loss contingency insurance recoveries	628,335	404,691
Auxiliary transportation	<u>595,601</u>	<u>500,894</u>
Total operating revenues	11,883,121	11,198,203
OPERATING EXPENSES		
Vehicle operations	43,218,716	41,815,080
Maintenance		
Vehicle	7,962,313	7,881,193
Nonvehicle	2,945,981	2,615,302
General administration	<u>18,233,311</u>	<u>17,022,167</u>
Total operating expenses before depreciation	72,360,321	69,333,742
Depreciation and net gain on retirements of property and equipment	<u>11,943,545</u>	<u>11,119,348</u>
Total operating expenses	<u>84,303,866</u>	<u>80,453,090</u>
OPERATING LOSS	(72,420,745)	(69,254,887)
NONOPERATING REVENUES (EXPENSES)		
Operating assistance		
Federal	3,796,046	4,056,343
State	60,080,200	56,300,800
Pass-through revenue		
Federal	823,006	2,000
State	3,347,423	326,986
Other agencies	119,668	-
Pass-through expense		
Federal	(823,006)	(2,000)
State	(3,417,894)	(408,309)
Other agencies	(119,668)	-
Investment income	<u>661,157</u>	<u>231,203</u>
Excess of nonoperating revenues over expenses	<u>64,466,932</u>	<u>60,507,023</u>

Continued...

Delaware Transit Corporation

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>(Restated)</u>
LOSS BEFORE CONTRIBUTIONS, TRANSFERS, AND SPECIAL ITEMS	\$ (7,953,813)	\$ (8,747,864)
CAPITAL CONTRIBUTIONS	2,525,281	16,425,711
TRANSFERS TO DELDOT	(1,249,543)	-
SPECIAL ITEM - LOSS ON DISPOSAL OF FACILITY	<u>(4,517,635)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(11,195,710)</u>	<u>7,677,847</u>
TOTAL NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	93,443,430	80,872,679
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>4,892,904</u>
TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED	<u>93,443,430</u>	<u>85,765,583</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 82,247,720</u>	<u>\$ 93,443,430</u>

See notes to financial statements.

Delaware Transit Corporation

Statements of Cash Flows

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from passengers	\$ 9,860,586	\$ 9,468,168
Payments to suppliers	(28,208,051)	(31,356,718)
Payments to employees	(40,168,101)	(37,187,732)
Insurance claims paid	(2,355,513)	(2,711,371)
Other receipts	<u>2,117,428</u>	<u>1,470,120</u>
Net cash used in operating activities	(58,753,651)	(60,317,533)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies	63,878,961	63,027,873
Transfer of funds to DelDOT	<u>(1,249,543)</u>	<u>-</u>
Net cash provided by noncapital financing activities	62,629,418	63,027,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital grants	3,094,462	18,400,704
Acquisition of capital assets	(2,579,195)	(16,437,689)
Proceeds from sale of equipment	<u>89,750</u>	<u>169,372</u>
Net cash provided by capital and related financing activities	605,017	2,132,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in escrow insurance deposits	(776,582)	-
Interest income received	<u>661,157</u>	<u>231,203</u>
Net cash provided by (used in) investing activities	<u>(115,425)</u>	<u>231,203</u>
Net increase in cash and cash equivalents	4,365,359	5,073,930
CASH AND CASH EQUIVALENTS - BEGINNING	<u>16,379,811</u>	<u>11,305,881</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 20,745,170</u></u>	<u><u>\$ 16,379,811</u></u>

Continued...

Delaware Transit Corporation

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (72,420,745)	\$ (69,254,887)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and net gain on retirements of property and equipment	11,943,545	11,119,348
Changes in assets and liabilities		
Decrease in accounts receivable	98,454	20,898
Increase in inventories	(276,410)	(445,186)
Increase in prepaid expenses	(162,319)	(5,146)
Increase in prepaid pension	(206,528)	-
Increase (decrease) in accounts payable	857,355	(1,831,119)
Increase (decrease) in loss contingency insurance	800,586	(228,847)
Increase in compensated absences	207,024	47,930
Increase in other accrued expenses	132,989	-
Increase in accrued payroll and related expenses	<u>272,398</u>	<u>259,476</u>
Net cash used in operating activities	<u>\$ (58,753,651)</u>	<u>\$ (60,317,533)</u>

See notes to financial statements.

Delaware Transit Corporation

Notes to Financial Statements

For the Years Ended June 30, 2006 and 2005

Note A - Authorizing Legislation

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, Delaware Transit Corporation (DTC) was created in fiscal year 1995 as a subsidiary public corporation of the Delaware Transportation Authority (the Authority). DTC is authorized to operate the public transportation system within the State of Delaware (the State).

The Authority is an independent operating arm of the Delaware Department of Transportation (DelDOT) and a body corporate and politic, constituting a public instrumentality of the State. The Authority was created in 1976 and later reorganized in 1979 by the Enabling Act. The Authority was created to foster the planning and financing of an economical, comprehensive, and integrated system of air, water, vehicular, public, and specialized transportation for the benefit of all people of the State.

Note B - Significant Accounting Policies

1. Reporting Entity

DTC is a subsidiary public corporation of the Authority. As a result of the Authority's relationship with the State, DTC's financial statements are included in the comprehensive annual financial report of the State in accordance with accounting principles generally accepted in the United States of America.

2. Basis of Accounting

DTC operates as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note B - Significant Accounting Policies (Continued)

3. Cash and Cash Equivalents

Cash and cash equivalents consist of demand and time deposits and securities with an original maturity of three months or less when purchased.

Included in cash at June 30, 2006 and 2005 was \$3,525,978 and \$3,501,974, respectively, which will be utilized to fund the remaining unpaid loss contingency insurance liability (see Note L).

4. Inventories

Inventories are accounted for at the lower of cost or market. Cost is determined using the average cost method.

5. Capital Assets

Capital assets, which include land, buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are defined by DTC as all assets purchased with State and federal grant money as well as any asset with a cost greater than \$5,000 purchased with operating money. Capital assets are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 40 years
Revenue vehicles	4 - 12 years
Service vehicles and equipment	3 - 4 years
Communication equipment	5 - 12 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note B - Significant Accounting Policies (Continued)

6. Compensated Absences

Substantially all employees receive compensation for vacations, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on length of service. Compensated absences that have been earned but not paid have been recorded in the accompanying financial statements.

7. Customer Fares

Customer fares are recorded as revenue at the time services are provided to passengers.

8. Allowance for Uncollectible Accounts

Management charges income with doubtful accounts when they are considered uncollectible. At June 30, 2006 and 2005, there was no allowance for doubtful accounts.

9. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Revenues and Expenses

DTC defines nonoperating revenues as federal and State operating subsidies, pass-through grant revenue, and investment income. All other revenues are derived from the normal operations of DTC. Nonoperating expenses are defined as pass-through grant expense. All other expenses are a result of normal operations.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note B - Significant Accounting Policies (Continued)

11. Pass-Through Revenues and Expenses

Pass-through revenues and expenses relate to federal, State, and other agency funding received by DTC that is subsequently distributed to local nonprofit subrecipient organizations to fund transportation-related operations and capital improvement programs.

12. Financial Accounting Standards Board (FASB) Pronouncements

DTC has elected not to apply FASB pronouncements issued after November 30, 1989.

13. Changes in Accounting Principles

DTC adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, in fiscal year 2005. GASB Statement No. 40 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful. GASB Statement No. 40 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

Note C - Cash and Investments

Cash Management Policy

DTC follows the guidelines and requirements issued and adopted by the Cash Management Policy Board of the State. The Policy is available on the Internet at www.state.de.us/treasure.

Custodial Credit Risk

Deposits - All deposits are in a variety of financial institutions and are carried at cost, which approximates market value. The carrying amounts of DTC's deposits at June 30, 2006 and 2005 were \$20,745,170 and \$16,379,811, respectively, and the bank balances were \$21,581,077 and \$16,931,376,

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note C - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2006 and 2005 of \$21,581,077 and \$16,931,376, respectively, were covered by federal depository insurance for \$100,000 and \$104,479, respectively, and by collateral held by DTC's Trustee, in DTC's name, for the remainder.

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>392,389</u>	<u>-</u>	<u>-</u>	<u>392,389</u>
Total capital assets not being depreciated	2,264,925	-	-	2,264,925
Capital assets being depreciated				
Buildings	43,267,482	466,870	(6,429,640)	37,304,712
Revenue vehicles	68,027,454	1,668,362	(1,704,352)	67,991,464
Service vehicles and equipment	4,571,202	267,923	(12,490)	4,826,635
Communication equipment	15,516,445	81,382	(15,693)	15,582,134
Furniture and fixtures	538,636	53,913	(192,733)	399,816
Bus signs and shelters	<u>2,934,269</u>	<u>49,154</u>	<u>(4,400)</u>	<u>2,979,023</u>
	134,855,488	2,587,604	(8,359,308)	129,083,784
Less: accumulated depreciation				
Buildings	8,849,573	1,447,009	(1,887,390)	8,409,192
Revenue vehicles	32,363,423	8,260,869	(1,677,713)	38,946,579
Service vehicles and equipment	2,491,578	424,931	(6,205)	2,910,304
Communication equipment	7,169,604	1,555,393	(9,192)	8,715,805
Furniture and fixtures	367,907	36,046	(175,575)	228,378
Bus signs and shelters	<u>1,698,952</u>	<u>234,168</u>	<u>(2,310)</u>	<u>1,930,810</u>
	<u>52,941,037</u>	<u>11,958,416</u>	<u>(3,758,385)</u>	<u>61,141,068</u>
Total capital assets being depreciated, net	<u>81,914,451</u>	<u>(9,370,812)</u>	<u>(4,600,923)</u>	<u>67,942,716</u>
Total capital assets, net	<u>\$ 84,179,376</u>	<u>\$ (9,370,812)</u>	<u>\$ (4,600,923)</u>	<u>\$ 70,207,641</u>

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note D - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>1,866,892</u>	<u>392,389</u>	<u>(1,866,892)</u>	<u>392,389</u>
Total capital assets not being depreciated	3,739,428	392,389	(1,866,892)	2,264,925
Capital assets being depreciated				
Buildings	33,995,487	9,271,995	-	43,267,482
Revenue vehicles	63,515,440	7,599,427	(3,087,413)	68,027,454
Service vehicles and equipment	4,542,324	566,891	(538,013)	4,571,202
Communication equipment	15,180,679	335,766	-	15,516,445
Furniture and fixtures	727,505	60,364	(249,233)	538,636
Bus signs and shelters	<u>2,906,077</u>	<u>77,748</u>	<u>(49,556)</u>	<u>2,934,269</u>
	120,867,512	17,912,191	(3,924,215)	134,855,488
Less: accumulated depreciation				
Buildings	7,658,226	1,191,347	-	8,849,573
Revenue vehicles	27,745,045	7,624,067	(3,005,689)	32,363,423
Service vehicles and equipment	2,584,074	426,241	(518,737)	2,491,578
Communication equipment	5,619,780	1,549,824	-	7,169,604
Furniture and fixtures	506,781	51,041	(189,915)	367,907
Bus signs and shelters	<u>1,509,168</u>	<u>218,757</u>	<u>(28,973)</u>	<u>1,698,952</u>
	<u>45,623,074</u>	<u>11,061,277</u>	<u>(3,743,314)</u>	<u>52,941,037</u>
Total capital assets being depreciated, net	<u>75,244,438</u>	<u>6,850,914</u>	<u>(180,901)</u>	<u>81,914,451</u>
Total capital assets, net	<u>\$ 78,983,866</u>	<u>\$ 7,243,303</u>	<u>\$ (2,047,793)</u>	<u>\$ 84,179,376</u>

Depreciation expense for fiscal years 2006 and 2005 was \$11,958,415 and \$11,061,277, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note E - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,231,595	\$ 207,024	\$ -	\$2,438,619	\$ 702,471
Contingency - insurance loss	<u>4,658,434</u>	<u>2,967,973</u>	<u>(2,167,387)</u>	<u>5,459,020</u>	<u>2,355,513</u>
Long-term liabilities	<u>\$6,890,029</u>	<u>\$3,174,997</u>	<u>\$(2,167,387)</u>	<u>\$7,897,639</u>	<u>\$3,057,984</u>

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,183,665	\$ 47,930	\$ -	\$2,231,595	\$ 507,530
Contingency - insurance loss	<u>4,887,282</u>	<u>3,486,738</u>	<u>(3,715,586)</u>	<u>4,658,434</u>	<u>2,321,575</u>
Long-term liabilities	<u>\$7,070,947</u>	<u>\$3,534,668</u>	<u>\$(3,715,586)</u>	<u>\$6,890,029</u>	<u>\$2,829,105</u>

Note F - Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement covers the period starting March 1, 2002 through November 30, 2007.

Paratransit operators statewide and South District Fixed Route operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period July 1, 2003 through June 30, 2008.

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union, Local 32, AFL-CIO. The term of the Collective Bargaining Agreement is from January 1, 2002 through December 31, 2006.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note G - Defined Benefit Pension Plans

Plan Descriptions

DTC contributes to two single-employer defined benefit pension plans: the Delaware Transit Corporation Pension Plan, with participation limited to full-time, nonunion salaried employees; and the Contributory Pension Plan, for all full-time members of Local #842 Amalgamated Transit Union and Local #32, Office and Professional Employee International Union. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling DTC at its Dover offices.

Funding Policy and Annual Pension Cost

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan is as follows:

	<u>DTC Pension Plan</u>	<u>Contributory Pension Plan</u>
Contribution rates:		
Employer	*	5.00%
Participants	N/A	5.00%
Annual pension cost	\$631,860	\$542,133
Contributions made	\$628,299	\$748,661
Actuarial valuation date	7/01/05	1/04/06
Actuarial cost method	Frozen Initial Liability	Aggregate **
Remaining amortization period	20	16
Asset valuation method	Market	***
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	4.50%	4.00%

Note: * = Actuarially Determined and N/A = Not Applicable

** = This method does not identify and separately amortize unfunded actuarial liabilities.

*** = Book value plus 20% of the difference between book and market value, but not less than 80% or greater than 90% of market value.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note G - Defined Benefit Pension Plans (Continued)

Three-Year Trend Information

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
DTC Pension Plan	06/30/2004	\$749,796	\$749,796	100.00%	\$ -
	06/30/2005	612,886	612,886	100.00%	-
	06/30/2006	631,860	631,860	100.00%	-
Contributory Plan	12/31/2003	548,215	913,947	59.98%	167,051
	12/31/2004	916,604	601,299	152.44%	482,356
	12/31/2005	748,661	542,133	137.59%	688,884

Schedules of Funding Progress

DTC Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Deficit) as a Percentage of Covered Payroll ((a - b)/c)
07/01/2003	5,187,005	5,536,310	(349,305)	93.69%	8,120,967	(4.30)%
07/01/2004	6,450,349	6,874,823	(424,474)	93.83%	7,350,742	(5.77)%
07/01/2005	7,539,479	7,932,143	(392,664)	95.05%	8,019,950	(4.89)%

Note H - Post-Retirement Health Care Benefits

The State provides post-retirement health care benefits, in accordance with State statutes, to all employees who retire from the State after meeting the eligibility requirements. There were 148 and 144 DTC retirees at June 30, 2006 and 2005, respectively. The costs associated with these benefits were \$669,405 and 604,551 at June 30, 2006 and 2005, respectively.

Note I - Operating Leases

DTC has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require DTC to pay for maintenance and liability insurance costs. Rental expenses were \$33,098 and \$20,429 for the years ended June 30, 2006 and 2005, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note I - Operating Leases (Continued)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2006 are as follows:

2007	\$ 8,386
2008	3,000
2009	1,800
2010	1,800
2011	1,800
2012 - 2016	9,000
2017 - 2020	<u>7,200</u>
	<u>\$32,986</u>

DTC has an operating lease agreement for transit vehicle tires, which will expire on May 19, 2009. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the years ended June 30, 2006 and 2005, DTC incurred expenses related to this lease of \$132,200 and \$126,976, respectively.

During 2006, DTC leased office space for the period January 12, 2006 through June 15, 2006. Rental expense for that period was \$315,974.

Note J - Economic Dependency

DTC's revenue from operating subsidies from the State was approximately 77% and 78% of total revenue for the years ended June 30, 2006 and 2005, respectively.

Note K - Commitments and Contingencies

Litigation

DTC is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of DTC.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note L - Risk Management

Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC would establish a workers' compensation loss contingency reserve based upon the insurance carriers' actuarial reviews. Benefit claims in an amount of \$100,000 or less per person, per coverage year are paid from the workers' compensation loss contingency reserve. Once any claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For fiscal year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a \$5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier. DTC established an initial loss contingency reserve in 2003 of \$200,000 to cover the deductibles for estimated future medical claims.

Subsequent to fiscal year 2003, DTC changed its coverage and was insured through the State of Delaware. Under the State program, DTC paid a premium calculated as \$1.60 and \$7.48 per \$100 of payroll for the years ended June 30, 2006 and 2005, respectively. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss contingency reserves that are based upon actuarial reviews were established by DTC.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note L - Risk Management (Continued)

Auto Insurance (Continued)

For years prior to 2003, DTC would establish auto loss contingency reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of \$100,000 or less per incident, per coverage year were paid from the auto loss contingency reserve. Once a specific claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for amount coverage in excess of the self-insured retention thresholds. DTC established initial loss contingency insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be \$300,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329).

For individual claims in excess of the sovereign immunity cap, DTC will retain a maximum amount of loss based upon their self-insured retention program and the balance would be covered by commercial insurance.

	Initial Loss Contingency Insurance Liability <u>Established</u>	Maximum Amount of Loss Under Self-Insured Retention Program <u>(Per Occurrence)</u>	Excess Commercial Coverage <u>(Aggregate)</u>
2003	\$2,561,000	\$1,300,000	\$10,000,000
2004	2,666,763	1,300,000	6,000,000
2005	2,763,367	2,300,000	5,000,000
2006	2,858,258	2,300,000	5,000,000

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note L - Risk Management (Continued)

Auto Insurance (Continued)

The components of the remaining insurance loss contingency reserve on DTC's balance sheets were as follows at June 30,:

	<u>2006</u>	<u>2005</u>
Workers' compensation loss contingency reserve remaining for fiscal year 2003	\$ 87,885	\$ 192,316
Workers' compensation loss contingency reserve remaining for fiscal year 2002	103,509	259,298
Workers' compensation loss contingency reserve remaining for fiscal year 2001	11,216	16,190
Workers' compensation loss contingency reserve remaining for fiscal year 2000	23,400	-
Auto loss contingency reserve remaining for fiscal year 2006	2,255,303	-
Auto loss contingency reserve remaining for fiscal year 2005	1,327,301	2,185,994
Auto loss contingency reserve remaining for fiscal year 2004	933,668	591,935
Auto loss contingency reserve remaining for fiscal year 2003	598,300	445,467
Auto loss contingency reserve remaining for fiscal year 2002	98,438	120,689
Auto loss contingency reserve remaining for fiscal year 2001	-	425,343
Auto loss contingency reserve remaining for fiscal year 2000	20,000	213,422
Auto loss contingency reserve remaining for fiscal year 1999	-	207,780
	<u>\$5,459,020</u>	<u>\$4,658,434</u>

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note L - Risk Management (Continued)

Auto Insurance (Continued)

Changes in the balances of total claim liabilities during fiscal years 2006 and 2005 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance July 1</u>	<u>Current Year Estimated Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Ending Balance June 30</u>
2005	\$4,887,281	\$2,092,728	\$(2,321,575)	\$4,658,434
2006	\$4,658,434	\$3,156,099	\$(2,355,513)	\$5,459,020

Note M - Designated Net Assets

Unrestricted net assets designated by management are as follows for the fiscal years ended June 30,:

	<u>2006</u>	<u>2005</u>
Designated as working capital reserve for operations	\$ 7,407,918	\$6,064,756
Designated as reserve for self insurance	<u>3,943,277</u>	<u>2,716,942</u>
Total unrestricted net assets designated by management	<u>\$11,351,195</u>	<u>\$8,781,698</u>

Management has determined that DTC needs an appropriate working capital reserve of approximately 1½ months of operating expenses before depreciation in order to ensure that DTC's financial obligations can be met timely without disruption. This is based on the fact that DTC does not have external bank credit facilities that it can rely on and timing issues that may arise with the receipt of State operating subsidy revenues.

In addition, management has designated a portion of unrestricted net assets to facilitate future enhancements to DTC's Self-Insured Retention program.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2006 and 2005

Note N - Advertising

Advertising costs are charged to operations when incurred. Total advertising costs of \$724,970 and \$645,858 were incurred for the years ended June 30, 2006 and 2005, respectively.

Note O - Loss on Disposal of Facility

During 2005, DTC relocated one of its facilities. The relocation resulted in a loss on disposal in the amount of \$4,517,635 and is included as a special item in the statements of revenues, expenses, and change in net assets.

Note P - Prior Period Adjustment

The accompanying financial statements for fiscal year 2005 have been restated to correct an error made in years prior to 2005 relating to depreciation expense and losses recognized on retirements of property and equipment and to record the net pension asset.

The effect of the restatement was to increase beginning net assets by \$4,892,904.

The restatement had no material effect on changes in net assets for the years ended June 30, 2006 and 2005.

Additional Information

Delaware Transit Corporation

Schedule of Revenues and Expenses
Compared to Budget

For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
OPERATING REVENUES			
Passenger fares	\$ 9,394,000	\$ 9,991,912	\$ 597,912
Advertising	300,000	345,334	45,334
Miscellaneous	100,000	321,939	221,939
Insurance recoveries	-	628,335	628,335
Auxiliary transportation	450,000	595,601	145,601
	<u>10,244,000</u>	<u>11,883,121</u>	<u>1,639,121</u>
OPERATING EXPENSES	<u>73,981,800</u>	<u>72,360,321</u>	<u>1,621,479</u>
OPERATING EXPENSES IN EXCESS OF OPERATING REVENUES	<u>(63,737,800)</u>	<u>(60,477,200)</u>	<u>3,260,600</u>
NONOPERATING REVENUES (EXPENSES)			
Operating assistance			
Federal	3,556,000	3,796,046	240,046
State	60,080,200	60,080,200	-
Pass-through grant revenue			
Federal	313,600	823,006	509,406
State	-	3,347,423	3,347,423
Other agencies	-	119,668	119,668
Secondary recipient capital and operating grant expense			
Federal	(392,000)	(823,006)	(431,006)
State	-	(3,417,894)	(3,417,894)
Other agencies	-	(119,668)	(119,668)
Investment income	180,000	661,157	481,157
	<u>63,737,800</u>	<u>64,466,932</u>	<u>729,132</u>
Excess of nonoperating revenues over expenses	<u>63,737,800</u>	<u>64,466,932</u>	<u>729,132</u>
INCOME BEFORE CONTRIBUTIONS AND DEPRECIATION AND RETIREMENTS ON PROPERTY AND EQUIPMENT	<u>\$ -</u>	<u>\$ 3,989,732</u>	<u>\$ 3,989,732</u>

Delaware Transit Corporation
Schedule of Expenses by Mode - All Modes
For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 16,475,484	\$ -	\$ -	\$ -	\$ 16,475,484
Other salaries	2,111,863	3,360,253	307,324	6,102,881	11,882,321
	<u>18,587,347</u>	<u>3,360,253</u>	<u>307,324</u>	<u>6,102,881</u>	<u>28,357,805</u>
FRINGE BENEFITS	9,591,112	1,887,995	220,372	3,683,097	15,382,576
SERVICES					
Professional and technical	31,391	-	91,517	2,512,199	2,635,107
Contract and maintenance	-	723,873	1,085,011	50,950	1,859,834
Security	-	-	2,696	367,939	370,635
Other	24,380	14,877	39,651	214,940	293,848
	<u>55,771</u>	<u>738,750</u>	<u>1,218,875</u>	<u>3,146,028</u>	<u>5,159,424</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	4,673,231	74,116	-	-	4,747,347
Tires and tubes	321,322	2,690	-	-	324,012
Other materials	96,350	1,898,413	182,073	419,548	2,596,384
	<u>5,090,903</u>	<u>1,975,219</u>	<u>182,073</u>	<u>419,548</u>	<u>7,667,743</u>
UTILITIES	-	-	609,359	-	609,359
INSURANCE	-	-	-	3,310,690	3,310,690
PURCHASED TRANSPORTATION	9,893,504	-	-	-	9,893,504
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	96	-	83,745	83,841
Travel and meetings	79	-	-	533,505	533,584
Advertising	-	-	-	744,496	744,496
Facilities	-	-	407,978	-	407,978
Other	-	-	-	209,321	209,321
	<u>79</u>	<u>96</u>	<u>407,978</u>	<u>1,571,067</u>	<u>1,979,220</u>
TOTAL EXPENSES	<u>\$ 43,218,716</u>	<u>\$ 7,962,313</u>	<u>\$ 2,945,981</u>	<u>\$ 18,233,311</u>	<u>\$ 72,360,321</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Directly Operated

For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 8,959,114	\$ -	\$ -	\$ -	\$ 8,959,114
Other salaries	869,714	2,415,139	100,960	2,497,578	5,883,391
	<u>9,828,828</u>	<u>2,415,139</u>	<u>100,960</u>	<u>2,497,578</u>	<u>14,842,505</u>
FRINGE BENEFITS	4,768,177	1,259,897	60,804	1,346,250	7,435,128
SERVICES					
Professional and technical	10,892	-	40,057	1,102,890	1,153,839
Contract and maintenance	-	341,164	410,956	46,533	798,653
Security	-	-	1,180	161,047	162,227
Other	-	10,147	17,355	107,411	134,913
	<u>10,892</u>	<u>351,311</u>	<u>469,548</u>	<u>1,417,881</u>	<u>2,249,632</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	3,008,951	29,091	-	-	3,038,042
Tires and tubes	191,548	1,099	-	-	192,647
Other materials	42,639	1,463,783	79,693	221,117	1,807,232
	<u>3,243,138</u>	<u>1,493,973</u>	<u>79,693</u>	<u>221,117</u>	<u>5,037,921</u>
UTILITIES	-	-	266,716	-	266,716
INSURANCE	-	-	-	1,263,028	1,263,028
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	37	-	36,655	36,692
Travel and meetings	38	-	-	233,515	233,553
Advertising	-	-	-	672,223	672,223
Facilities	-	-	178,572	-	178,572
Other	-	-	-	94,597	94,597
	<u>38</u>	<u>37</u>	<u>178,572</u>	<u>1,036,990</u>	<u>1,215,637</u>
TOTAL EXPENSES	<u>\$ 17,851,073</u>	<u>\$ 5,520,357</u>	<u>\$ 1,156,293</u>	<u>\$ 7,782,844</u>	<u>\$ 32,310,567</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Directly Operated

For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 7,516,370	\$ -	\$ -	\$ -	\$ 7,516,370
Other salaries	1,079,560	852,756	128,785	3,020,571	5,081,672
	<u>8,595,930</u>	<u>852,756</u>	<u>128,785</u>	<u>3,020,571</u>	<u>12,598,042</u>
FRINGE BENEFITS	4,666,341	534,465	89,272	1,770,016	7,060,094
SERVICES					
Professional and technical	11,995	-	44,111	1,134,102	1,190,208
Contract and maintenance	-	260,572	556,164	-	816,736
Security	-	-	1,299	177,347	178,646
Other	24,380	4,730	19,112	90,090	138,312
	<u>36,375</u>	<u>265,302</u>	<u>620,686</u>	<u>1,401,539</u>	<u>2,323,902</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	1,656,582	39,371	-	-	1,695,953
Tires and tubes	113,194	1,487	-	-	114,681
Other materials	45,294	347,181	87,759	164,237	644,471
	<u>1,815,070</u>	<u>388,039</u>	<u>87,759</u>	<u>164,237</u>	<u>2,455,105</u>
UTILITIES	-	-	293,711	-	293,711
INSURANCE	-	-	-	1,709,309	1,709,309
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	49	-	40,365	40,414
Travel and meetings	41	-	-	257,149	257,190
Advertising	-	-	-	7,829	7,829
Facilities	-	-	196,645	-	196,645
Other	-	-	-	104,174	104,174
	<u>41</u>	<u>49</u>	<u>196,645</u>	<u>409,517</u>	<u>606,252</u>
TOTAL EXPENSES	<u>\$ 15,113,757</u>	<u>\$ 2,040,611</u>	<u>\$ 1,416,858</u>	<u>\$ 8,475,189</u>	<u>\$ 27,046,415</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Purchased Transportation

For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	79,226	48,710	34,008	284,296	446,240
	<u>79,226</u>	<u>48,710</u>	<u>34,008</u>	<u>284,296</u>	<u>446,240</u>
FRINGE BENEFITS	76,222	49,647	35,120	289,421	450,410
SERVICES					
Professional and technical	8,504	-	3,798	120,351	132,653
Contract and maintenance	-	108,647	58,062	4,417	171,126
Security	-	-	112	15,269	15,381
Other	-	-	1,646	10,187	11,833
	<u>8,504</u>	<u>108,647</u>	<u>63,618</u>	<u>150,224</u>	<u>330,993</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	5,365	2,982	-	-	8,347
Tires and tubes	9,360	55	-	-	9,415
Other materials	3,960	65,517	7,556	20,973	98,006
	<u>18,685</u>	<u>68,554</u>	<u>7,556</u>	<u>20,973</u>	<u>115,768</u>
UTILITIES	-	-	25,288	-	25,288
INSURANCE	-	-	-	178,446	178,446
PURCHASED TRANSPORTATION	1,665,516	-	-	-	1,665,516
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	5	-	3,475	3,480
Travel and meetings	-	-	-	22,140	22,140
Advertising	-	-	-	63,814	63,814
Facilities	-	-	16,931	-	16,931
Other	-	-	-	5,452	5,452
	<u>-</u>	<u>5</u>	<u>16,931</u>	<u>94,881</u>	<u>111,817</u>
TOTAL EXPENSES	<u>\$ 1,848,153</u>	<u>\$ 275,563</u>	<u>\$ 182,521</u>	<u>\$ 1,018,241</u>	<u>\$ 3,324,478</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Purchased Transportation

For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	83,363	43,648	31,237	265,695	423,943
	<u>83,363</u>	<u>43,648</u>	<u>31,237</u>	<u>265,695</u>	<u>423,943</u>
FRINGE BENEFITS	80,372	43,986	31,869	267,427	423,654
SERVICES					
Professional and technical	-	-	3,551	106,011	109,562
Contract and maintenance	-	13,490	52,029	-	65,519
Security	-	-	105	14,276	14,381
Other	-	-	1,538	7,252	8,790
	<u>-</u>	<u>13,490</u>	<u>57,223</u>	<u>127,539</u>	<u>198,252</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	2,333	2,672	-	-	5,005
Tires and tubes	7,220	49	-	-	7,269
Other materials	4,457	21,932	7,065	13,221	46,675
	<u>14,010</u>	<u>24,653</u>	<u>7,065</u>	<u>13,221</u>	<u>58,949</u>
UTILITIES	-	-	23,644	-	23,644
INSURANCE	-	-	-	159,907	159,907
PURCHASED TRANSPORTATION	1,364,938	-	-	-	1,364,938
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	5	-	3,250	3,255
Travel and meetings	-	-	-	20,701	20,701
Advertising	-	-	-	630	630
Facilities	-	-	15,830	-	15,830
Other	-	-	-	5,098	5,098
	<u>-</u>	<u>5</u>	<u>15,830</u>	<u>29,679</u>	<u>45,514</u>
TOTAL EXPENSES	<u>\$ 1,542,683</u>	<u>\$ 125,782</u>	<u>\$ 166,868</u>	<u>\$ 863,468</u>	<u>\$ 2,698,801</u>

Delaware Transit Corporation
Schedule of Expenses by Mode - Rail
For the Year Ended June 30, 2006

	Vehicle Operations (10)	Vehicle Maintenance (41)	Non-Vehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	-	-	12,334	34,741	47,075
	<u>-</u>	<u>-</u>	<u>12,334</u>	<u>34,741</u>	<u>47,075</u>
FRINGE BENEFITS	-	-	3,307	9,983	13,290
SERVICES					
Professional and technical	-	-	-	48,845	48,845
Contract and maintenance	-	-	7,800	-	7,800
Security	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>7,800</u>	<u>48,845</u>	<u>56,645</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	-	-	-	-	-
Tires and tubes	-	-	-	-	-
Other materials	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UTILITIES	-	-	-	-	-
INSURANCE	-	-	-	-	-
PURCHASED TRANSPORTATION	6,863,050	-	-	-	6,863,050
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	-	-
Travel and meetings	-	-	-	-	-
Advertising	-	-	-	-	-
Facilities	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 6,863,050</u>	<u>\$ -</u>	<u>\$ 23,441</u>	<u>\$ 93,569</u>	<u>\$ 6,980,060</u>